

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 SCI-06 SCEM-02

INT-08 DRC-01 /193 W

----- 078186

R 111851Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7023

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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DEPARTMENT ALSO PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: PART-TIME BRITAIN; NATIONAL ECONOMIC DEVELOP-
MENT COUNCIL'S EARLY ASSESSMENT AND EMBASSY
COMMENT

REF: A) LONDON 0144; B) LONDON 0468; C) A-1431 OF
12-7-73

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BEGIN SUMMARY: IN MEETING ON JANUARY 9, THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL (NEDC) PREDICTED ABOUT 3.5 MILLION UNEMPLOYED IF THE 3-DAY WORK WEEK LASTS INTO FEBRUARY. HOWEVER, NEDC NOTED THE IMPACT ON OUTPUT OF THE 3-DAY WEEK HAS BEEN LESS ADVERSE THAN EXPECTED. A TUC OFFER TO TRY AND BREAK THE IMPASSE IN THE MINERS DISPUTE HIGHLIGHTED THE NEDC MEETING. END SUMMARY

1. NEDC, A CABINET-LEVEL CONSULTATIVE ECONOMIC GROUP (CHAIRLED BY CHANCELLOR OF THE EXCHEQUER BARBER, WITH REPRESENTATION FROM DTI AND EMPLOYMENT MINISTERS AND LEADERS OF CBI AND TUC -- BUSINESS AND LABOR ORGANIZATIONS) GAVE A PRELIMINARY ASSESSMENT OF THE 3-DAY WEEK IN ITS MONTHLY MEETING, JANUARY 9. NEDC BELIEVES THAT 3.5 MILLION WORKERS WILL BE UNEMPLOYED IF THE 3-DAY WEEK GOES INTO FEBRUARY. THIS IS BASED ON ESTIMATES OF 7 MILLION WORKERS BEING ON A 3-DAY WORK WEEK BY FEBRUARY; ON ANY WORK DAY, HALF WOULD BE IDLE.

2. OUTPUT HAS FALLEN LESS THAN EXPECTED, HOWEVER, AND NEDC ESTIMATES THE SHORTFALL AT 20 - 25 PERCENT. CBI REPORTED TO NEDC THAT MANY FIRMS THROUGH USE OF THEIR OWN GENERATORS(AND THEIR OWN OIL), THROUGH SHIFTING PRODUCTION PATTERNS, AND THROUGH INCREASES IN WORKER PRODUCTIVITY, ARE MANAGING TO PRODUCE AT LEAST FOUR DAYS' OUTPUT DESPITE THE THREE-DAY LIMIT ON ELECTRICAL POWER.

3. THE PRIMARY TOPIC OF THE NEDC MEETING WAS THE TUC OFFER TO GUARANTEE THAT OTHER MEMBER UNIONS WOULD NOT USE A "SPECIAL CASE" SETTLEMENT WITH THE MINERS (ALLOWING THEM TO BREACH STAGE 3 OF THE PRICE-WAGE POLICY) IN JUSTIFYING THEIR OWN WAGE CLAIMS. THIS OFFER WAS AT FIRST REJECTED BY CHANCELLOR BARBER, BUT LATER THE GOVERNMENT PROMISED TO CONSIDER THE OFFER, THOUGH THEIR ATTITUDE IS SKEPTICAL. SEE REFTEL B FOR DETAILS.

4. COMMENT. THE EMBASSY INTENDS TO RESPOND AS FULLY AS POSSIBLE TO QUESTIONS OF IMPACT OF ENERGY SITUATION (AND 3-DAY WEEK) POSED IN STATE 2951. IN OUR SOUNDINGS THIS LIMITED OFFICIAL USE

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WEEK, WE NOTE LESS GLOOM THAN LAST WEEK, BOTH IN GOVERNMENT AND INDUSTRY. THE ABILITY OF INDUSTRY TO COPE WITH THE ELECTRICITY CUTBACKS AND STILL PRODUCE 75-80 PERCENT OF NORMAL OUTPUT HAS RENEWED CONFIDENCE TO SOME EXTENT. A CBI CONTACT "DOES NOT SEE INDUSTRY BROUGHT TO ITS KNEES IN THE FORESEEABLE FUTURE" BY THE ENERGY CUTBACKS. OF COURSE, "THE FORESEEABLE FUTURE" DOES NOT EXTEND BEYOND ABOUT 30 DAYS.

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R 111851Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7024

INFO AMEMBASSY BONN

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5. THE MAIN CONCERN NOW IS NOT THAT FIRMS ARE NOW OPERATING ON ONLY 3-DAYS' ELECTRICITY EACH WEEK, BUT THE EFFECTS OF MATERIALS SHORTAGES, PARTICULARLY STEEL, WHICH LOWER OUTPUT WILL EXACERBATE. MOST OBSERVERS THINK THAT THIS WOULD BE THE MAIN PROBLEM IN AN EXTENDED PERIOD OF OUTPUT SHORTFALLS. BUT AN ALLOCATION SYSTEM DOES EXIST WHICH WILL DIRECT STEEL OUTPUT TO PRIORITY IN-

DUSTRIES. IF THIS IS EFFECTIVE, SOME OBSERVERS BELIEVE
EVEN THE STEEL SHORTAGE WILL NOT BE COMPLETELY CRIPPLING.
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6. THE OTHER CONCERN HAS BEEN THE FINANCIAL CONDITION OF
MANY FIRMS WHICH HAVE TO PAY FULL WEEKLY WAGES UNDER
UNION CONTRACTS FOR 3-4 DAYS OUTPUT. CBI HAS NOT HEARD
YET OF ANY LARGE SCALE FINANCIAL DIFFICULTIES FROM THIS.

7. UK TREASURY NOW ESTIMATES, PRELIMINARILY AND ROUGHLY,
THAT 3-DAY-A-WEEK POWER SUPPLY TO INDUSTRY BY ITSELF WILL
SUBTRACT ABOUT ONE PERCENTAGE POINT PER MONTH FROM GDP
GROWTH IN 1974. THIS ESTIMATE DOES NOT INCLUDE SECONDARY
EFFECTS. (THEY WERE ALREADY ESTIMATING CLOSE TO A ZERO
GROWTH RATE BECAUSE OF OIL SHORTAGES.) THIS IS COM-
PATIBLE WITH A PRELIMINARY ESTIMATE OF STAFF MEMBERS AT
NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH (NIESR)
OF PLUS 2 TO MINUS 6 PERCENT GDP GROWTH RATE WITH THE
HIGHER FIGURE BASED ON THE ASSUMPTION THAT THE ELEC-
TRICITY SITUATION RETURNS TO NORMAL IN MID-JANUARY AND
THE LOWER FIGURE BASED ON A RETURN TO NORMAL IN MID-MAY.

8. CBI IS ALSO SLIGHTLY MORE OPTIMISTIC ON THE INDUSTRIAL
RELATIONS IMPASSE AS A RESULT OF THIS WEEK'S NEDC MEETING.
WHILE THEY DO NOT BELIEVE THE TUC OFFER IS ACCEPTABLE,
THEY CONSIDER THAT IT WAS MADE PARTIALLY AS A RESULT OF
TUC REALIZATION THAT THE 3-DAY WEEK IS HURTING ITS OWN
MEMBERS. MOREOVER, CBI HAS BEEN INFORMED THAT IN MANY
FIRMS, PARTICULARLY SMALL ONES, OUTPUT IS BEING KEPT UP TO
THE 75-80 PERCENT LEVEL THROUGH CLOSE COOPERATION
BETWEEN MANAGEMENT AND WORKERS.

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